



**STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF LOCAL GOVERNMENT AUDIT
SUITE 1500
JAMES K. POLK STATE OFFICE BUILDING
NASHVILLE, TENNESSEE 37243-1402
PHONE (615) 401-7841**

June 13, 2012

The Honorable Derrick D. Schofield, Commissioner, Department of Correction
The Honorable Dan Hughes, Henderson County Mayor
The Honorable Brian Duke, Henderson County Sheriff

To the Commissioner, County Mayor, and Sheriff:

Our office recently completed a review of Henderson County's participation in the County Correctional Incentive Program for the year ended June 30, 2011.

The finding and recommendation and the summary of adjustments to costs, as a result of our review, are presented in detail in the enclosed report. The following summary is a result of our review:

Net operating costs were not properly reported on the Final Cost Settlement Report. The net effect of these adjustments to the Final Cost Settlement Report was to reduce the average daily inmate cost from \$76.76 to 55.44 per inmate day. However, since the maximum rate of reimbursement is \$35 per inmate day, no rate adjustment was necessary.

Please contact me if you have any questions regarding our review of Henderson County's participation in the County Correctional Incentive Program.

Sincerely,

A handwritten signature in black ink, reading "James R. Arnette".

James R. Arnette, Director

cc: Judith Lambert, Judicial Cost Accountant

**HENDERSON COUNTY, TENNESSEE
REPORT ON THE REVIEW OF THE
COUNTY CORRECTIONAL INCENTIVE PROGRAM
FOR THE YEAR ENDED JUNE 30, 2011**

This report reviews Henderson County's participation in the County Correctional Incentive Program for the year ended June 30, 2011.

As a result of our review, we discovered that net operating costs were not properly reported on the Final Cost Settlement Report. The net effect of these adjustments to the Final Cost Settlement Report was to reduce the average daily inmate cost from \$76.76 to \$55.44 per inmate day. However, since the maximum rate of reimbursement is \$35 per inmate day, no rate adjustment was necessary.

The objectives of the review were:

1. to determine the reasonableness and allowability of costs reported on the Final Cost Settlement Report submitted to the Tennessee Department of Correction,
2. to determine if prisoners were properly listed on the State Prisoner (Convicted Felon) Reports,
3. to determine if inmates were reported accurately on the Correction Facility Summary Reports, and
4. to recommend appropriate actions to correct any deficiencies.

SCOPE OF THE REVIEW

In performing our review, we tested the county's financial records and other supporting records pertaining to the Final Cost Settlement Report for the year ended June 30, 2011. We determined the reasonableness and allowability of reported costs by tracing reported expenditures to the correctional facility's ledgers and worksheets. Additional testwork was performed on selected reported expenditures by tracing information to original supporting documentation such as invoices and canceled checks.

Furthermore, we evaluated procedures related to counting and reporting the total inmate population as reported on the Correction Facility Summary Reports and the Final Cost Settlement Report. We also performed testwork on selected days to determine that the number of prisoners reported on the cost report agreed with counts of prisoners actually incarcerated at the facility.

In addition, auditors tested the proper classification of convicted felons listed on the State Prisoner Reports to ensure accurate reporting to the state. Testwork included tracing information from the reports to the actual case files to verify the listed offenses, trial dates, and incarceration periods.

FINDING AND RECOMMENDATION

The finding and recommendation, as a result of our review, is presented below. We have reviewed this finding and recommendation with management to provide an opportunity for their response; however, management did not provide responses for inclusion in this report.

FINDING 1 NET OPERATING COSTS WERE NOT PROPERLY REPORTED ON THE FINAL COST SETTLEMENT REPORT

The Final Cost Settlement Report for the year ended June 30, 2011, contained several inappropriate costs. The following is a summary of the significant cost adjustments made to the cost report submitted by the county as a result of the review:

Overreported Revenue:	
Commissary	\$ 1,599
Contracted Prisoner Board	175,000
Underreported Revenue:	
Telephone	24,336
Overreported Costs:	
Salaries	651,433
Medical and Dental	51,889
Travel	405
Maintenance and Repair	38,138
Office Supplies	5,628
Telephone	18,378
Uniforms	13,343
Depreciation	74,500
Indirect Costs	16,824
Underreported Costs:	
Insurance	10,675
Contracts with Governments	1,860

The net effect of the aforementioned adjustments was to decrease net operating costs by \$705,740.

RECOMMENDATION

Management should ensure that the Final Cost Settlement Report submitted to the state reflects the facility's actual net operating costs as defined in the regulations of the County Correctional Incentive Program.

**HENDERSON COUNTY, TENNESSEE
SUMMARY OF ADJUSTMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

The following is a summary of adjustments made to the costs as settled in the desk review by the Tennessee Department of Correction. The adjustments, as a result of our review, are discussed in detail in the Finding and Recommendation Section.

	Net Operating Costs
As settled in the 2010-2011 Desk Review	\$ 2,541,822
Adjustments from Field Review:	
Under (Over) Reported Costs:	
Salaries	(651,433)
Medical and Dental	(51,889)
Travel	(405)
Maintenance and Repair	(38,138)
Office Supplies	(5,628)
Telephone	(18,378)
Uniforms	(13,343)
Insurance	10,675
Contracts with Government Agencies	1,860
Building Depreciation	(74,500)
Indirect Cost	(16,824)
(Under) Over Reported Revenue:	
Commissary	1,599
Telephone	(24,336)
Contracted Prisoner Board	175,000
Total Adjusted Costs	<u>\$ 1,836,082</u>

As a result of our review, we discovered that net operating costs were not properly reported on the Final Cost Settlement Report. The net effect of these adjustments to the Final Cost Settlement Report was to reduce the average daily inmate cost from \$76.76 to 55.44 per inmate day. However, since the maximum rate of reimbursement is \$35 per inmate day, no rate adjustment was necessary.